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Spotting Takeover Sharks

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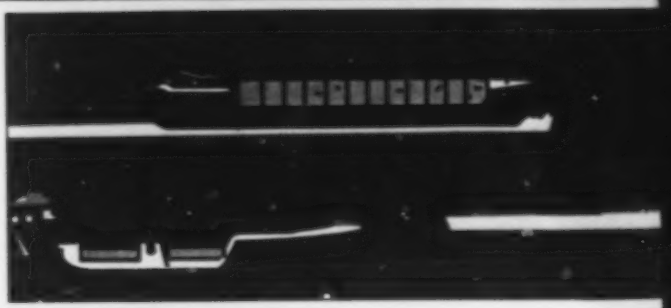

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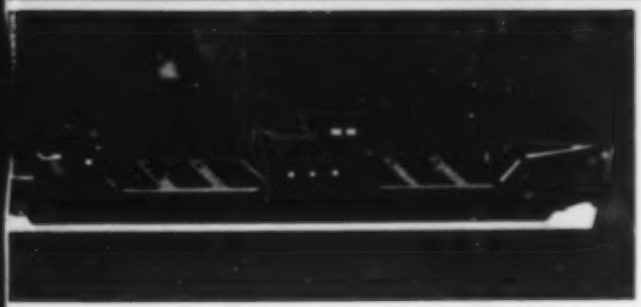

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INVESTMENT UPDATE

Here's the current status of a number of investments, and a look at how they have fared over the past month and the past year.

INVESTMENT	(12/31/84) Recent Price or Yield	Value of $10,000 if invested: Month Earlier	Year Earlier
Common Stock (Index fund, capital gains and dividends reinvested)	$19.52/share	$10,260	$10,621
per cent change		+2.6%	+6.2%
Bonds (30-yr., 11¼% Treasury Bond)			
MARKET VALUE	$100.88	$10,031	$10,190
ACCUMULATED INCOME		$ 97	$ 1,187
TOTAL		$10,128	$11,377
per cent change		+1.3%	+13.8%
Money Market Fund	+8.55%	$10,073	$11,004
per cent change		+0.7%	+0.4%
Gold (Krugerrands)	$309.20/oz.	$ 9,380	$ 7,995
per cent change		−6.4%	−2.0%
HOUSE PRICES	**Recent**	**Month Earlier**	**Year Earlier**
Existing House	$83,100	$79,700	$79,200
per cent change		+4.1%	+4.6%
New House	$100,200	$89,500	$94,800
per cent change		+6.9%	+5.3%

Sources: Vanguard Group Inc.; Salomon Brothers; Donoghue's Money Fund Report; Desk-Perera Fifth Avenue, Inc.; Federal Home Loan Bank Board.

Mass Merchandise Corp., the leading service merchandise company, distributes 16,000 non-food items, such as health and beauty products, pet supplies and hardware to 11,000 supermarkets, drugstores and other retailers in 32 states. In this highly fragmented industry, the company enjoys 2% of a $13 billion market, enough to make it a dominant factor for years to come, Aster says. He estimates that Mass Merchandise earned 85 cents a share last year on revenues of $314 million and will net $1.15 this year, yet it recently traded at a P/E of only 9.5.

Aster describes California Microwave, which manufactures telecommunications systems such as satellite earth stations for industry giants, including ITT, GTE and the Bell operating companies, as a "formidable competitor." He estimates that the company earned 70 cents a share in 1984 on revenues of $113 million. Although he sees per-share earnings advancing only minimally to 75 cents this year, Aster predicts that California Microwave will reap 20% annual earnings gains over the coming three-to-five years. Its P/E was recently around 10.

Home Health Care of America is one of the two largest suppliers (along with Baxter Laboratories) of intravenous feeding units for homebound patients. It currently has 30% of the market. Aster believes that the Reagan Administration will encourage the providing of home care, particularly for Medicare patients. Therefore, he is enthusiastic about the company's prospects despite its lackluster performance last year, a tough one for health care providers. Home Health Care's earnings per share were 10 cents in fiscal 1984 ended June 30, on sales of $58 million. Aster is anticipating a big jump to 50 cents a share in fiscal 1985.

If the money manager's expectations for these issues pan out, he will stay with them for a long time. One of his prime objectives is to hold on to stocks for the long term, say, five years. "As far as we are concerned, the point of investing in growth stocks is to see them grow into large companies," he says. ■